

Excruciating failure and blissful triumph. Agony and ecstasy. No other country is capable of such contrasting emotions without a hint of compromise - this is Italy

Italy is a country of eye-watering architecture, magnificent art and mouth-watering menus. It is also a complete enigma to basically anyone who isn't Italian.

For a country, which has the capacity to be a gaming giant on the European map, it often requires a hearty dose of Alka-Seltzer to ponder why it isn't.

It isn't for the want of trying of course. The Italians have seen more variations to their gaming legislation over the last few years than your average pizza topping and yet it still never tasted quite right.

Although the ultimate intention is fairly straightforward (to remove all illegal gaming and replace with controlled AWP's) the process of achieving this appeared to be more difficult. Italy has always been a country of great changes. Back in 1861, Italy became a nation-state when the peninsula, along with Sardinia and Sicily, were united under King Victor Emmanuel II.

An era of parliamentary government came to an end in the early 1920s when Mussolini established a Fascist dictatorship and his disastrous alliance with Nazi Germany led to Italy's defeat in World War II.

A democratic republic replaced the monarchy in 1946 and economic revival followed. Italy was a charter member of NATO and the EEC and joined the Economic and Monetary Union in 1999.

However, persistent problems include illegal immigration, organised crime, corruption, high unemployment and sluggish economic growth.

With a population today of just over 58 million the country has a diversified industrial economy with roughly the same total and per capita output as France and the UK.

However, the capitalistic economy remains divided into a developed industrial north, which is dominated by private companies, and a less developed agricultural south with 20 per cent unemployment.

Over the last 10 years Italy has pursued a tight fiscal policy in order to meet the requirements of the EMU and has seen lower interest and inflation rates. But despite numerous short-term reforms introduced by the government to improve long term growth, such as lowering the high tax burden and overhauling Italy's rigid labour market, Italy has moved slowly and the economy experienced almost no growth in 2005 and high levels of unemployment.

In reflection, Italy's gaming law is also a snail-paced story of changes and modifications, which began back in the early 1960s when the industry lobbied to allow pinball machines, which were banned under the existing 1931 law. Five years later the 507/65 was introduced, although it then took the Italians another 21 years to bring in a law that permitted a maximum of three free plays on machines as a prize. This law was passed in 1986 and continued until the mid-1990s when the 425/95 was introduced which permitted 10 free plays or 10 token payouts.

At long last some form of payout was allowed and this saw a new era for gaming machines. However, as the gaming law was left wide open to interpretation, it also saw an influx of illegal operations.

Video poker machines began to flood the market around this time and operators merely swapped the 10 token payout for over the counter cash. The machines were cheap, compact and ideally suited for Italian bars and operators were reportedly earning up to 1,000 euros a month and



simply replacing any machines which happened to be confiscated. Although this law also saw the arrival of foreign manufacturers developing skill based machines these seemed of little interest to players and operators and sales were low. The market became chaotic and out of control. Increased reports of raids on bars with illegal machines did little to deter the market and brought the gaming industry to the forefront of media attention for all the wrong reasons. The industry began to campaign for a coin in/coin out and 'preponderance of skill' legislation, but the government ignored this option and instead introduced the 388/00, which allowed players to win either a prolonged game session or free games up to a maximum of 10 credits. Single games had to last 12

seconds and games were only legal if entirely skill based. The market went from bad to worse. Police clamped down on illegal gambling, businesses closed down and those that did continue avoided paying taxes for almost two years due to further confusion in interpreting the law. Two years later the law was amended and the 289/02 amendment was written. A celebration in some respects as finally this permitted payout machines. However, with a 50c stake and 10 euros maximum payout, 10 second game time and 90 per cent payouts on a cycle of 7,000 games, it was hardly what the Italians had long hoped for. In a concentrated bid to wipe out the estimated 800,000 video poker games once and for all, the government went so



exquisite

eccentric

far as to ban any images of poker games within AWP or other games. Finally, there was a light at the end of the tunnel, but the Italians were still unhappy. Lobbying continued and eventually a year later another amendment to the law increased the payout to 50 euros, a 7-13 second game time and 75 per cent payout on 14,000 cycle. Most importantly, all AWPs had to be linked to a central monitoring unit and it also banned video poker games with hefty fines of up to 40,000 euros and three months in jail for operators found with such games beyond June 2004. Taxes were high though with AWPs paying 13.5 per cent of the income (stake) to the government and 11.5 per cent to the Network Manager, which made Italy one of the highest taxed

gaming industries in Europe. The comma 6 games (AWPs) under this law brought conflicting reports. On one side the Italian Gaming Board, AAMS (Self Administration of State Monopoly) claimed 2005 was a positive year. With 170,000 AWPs installed in 70,000 locations they generated an income of 10.5bn euros with 1.4bn euros in taxes, which doubled 2004's figures. AWPs followed the Italian Lotto closely in the list of most profitable games. But on closer examination it seems that all is not as rosy as it appears on paper. AWPs or 'New Slots,' as they are called, are apparently differing dramatically in terms of revenue from town to town. Some operators are reporting high incomes, whilst others say the machines are just not performing.

The Basilica San Marco, Venice, Italy.

In addition, comparisons to 2004 figures cannot be taken too seriously as New Slots were only introduced in March, therefore, not only making 2004 figures only eight months long, but an expected increase in sales of these new machines was predicted for the early part of 2005. Meanwhile, although the new monitoring system imposed in theory was a good idea, many machines were not connected by the deadline and, following a huge operation organised by the Guardia di Finanza, many machines were then removed from the market. Some suggested the number of machines removed outweighed the number installed, plus there was a halt in homologation procedures when some boards produced in Italy did not comply with the new conditions.

THE NEW SLOTS

So what's happening in Italy today? Well, a draft modification of the law included in the Financial Budget Law 2006 is currently 'locked' and both manufacturers and operators are waiting for the new amendments.

Basically, when the law was sent to the EU court in Brussels a group of German members raised a query on certain clauses within the document. The exact clause remains a mystery, however this led to a three month delay and the Comma 6 machines' life span has now been prolonged for another three months and will continue to operate until January 2007 rather than October 2006.

The new Comma 6a AWP machines were due to enter the market in July, although following the recent scandal involving two senior members of the AAMS, it is now not certain whether this will be delayed further.

The scandal involves Prince Vittorio Emanuele di Savoia who has been arrested with talk of involvement with the mafia and prostitution. Two members of the AAMS, Director Giorgio Tino and Anna Maria Barbarito (Tino's lover) are apparently also implicated alongside Rocco Migliardi, an operator and importer of illegal comma 7c (video games).

The alleged story is that Migliardi was importing video slot PCBs into Italy from Taiwan under the guise of video games. Although initially he receives the 'nulla osta' (licences) for these games as it becomes more difficult he pays a politician and the Prince to convince the AAMS Director and his lover to provide him with the papers.

It is now understood that the police have seized 222 video poker machines within the inquiry. Investigations continue into the scandal and its validity, although in the meantime a commission will be set up to supervise the gaming machine situation in Italy to ensure their legality. Again this report indicates a far from



>> stable market and it is reported that during the year 2,500 people have been charged and 4,700 machines seized by the police for illegal operations. Some say these gaming machines can collect up to 60,000 euros a month.

Despite the scandals, the market at present is fairly stagnant. Operators are clearly unwilling to invest in Comma 6 machines with such a short life span and prefer to wait instead for the new Comma 6a machines to be released.

There are three main differences between Comma 6 and Comma 6a. The first is the introduction of smartcard technology for the collection of data; secondly an increase in prize levels from 50c to 1 euro maximum play and payout increase from 50 euros to 100 euros maximum; and thirdly the increase of the games cycle from 14,000 set (Comma 6) to a maximum of 140,000. Return to the player remains at 75 per cent.

The modifications in the Financial Budget on the law 266/05 also includes the following points:

1. All billiard or gaming halls that have games machines must have an approved chart in full view, which specifies any games, including gambling, which are forbidden as well as any time limitations and specific prohibitions.
2. Automatic, semi-automatic and electronic gambling machines are prohibited in a public place or a place open to the public.
3. Gaming machines permitted must include elements of skill or entertainment as well as chance and do not cost more than 1 euro per game, games must last for four seconds and payouts must not exceed 100 euros. Payouts must not be less than 75 per cent on a maximum cycle of 140,000 games and no poker elements should be included in the game.
4. Crane machines or other electro-mechanical games without monitors, which test the manual or strategic ability of the player should not cost more than 1 euro per game and distribute toys which should not be exchanged for money. The value of the prize should not be more than 20 times the stake.
5. Skill based only machines such as video games, which do not distribute prizes, can have various game session times according to the player's skill and should not cost more than 50c a game. Again, both cannot show any poker elements.
6. Only players over the age of 18 years can play gaming machines.
7. Anyone found operating gaming equipment in violation of the underage law will be fined anything from 500 euros to 3,000 euros and their business can be closed down for a period of up to 15 days.
8. Anyone found manufacturing or



importing games which do not comply with the law can be fined from 1,000 euros to 6,000 euros per machine.

9. Anyone found manufacturing or importing games which have not been licensed can be fined from 500 - 3,000 euros per machine.

10. Anyone who distributes or operates games which do not comply with the law can be fined from 1,000 to 6,000 euros per machine.

11. Taxes for 7a and 7c machines (cranes and video games) will pay an annual tax rate of 1,800 euros.

12. Gaming machines meanwhile will pay a tax rate of 12 per cent on the amount stake plus a further 0.5 per cent of the amount staked to the AAMS and 0.8 per cent licensing.

Of course, with the law still stuck in Brussels, Italy's main testing institute, GLI Italia, continues to work on and review the draft requirements received so far and until it receives the full specifications. After the AAMS suspended the licences of three other testing institutes last year for basically certifying machines without carrying out the full testing procedures, GLI Italia has gone from fourth position in the market to the main testing laboratory.

Based in Bologna, the company has doubled its staff in the last 12 months and now covers 70 to 80 per cent of the testing for the Italian gaming market. Other smaller institutes approved by the AAMS also handle testing, including Spain's Applus+.

As GLI Italia's Roger Farrell said: "We have seen the body of the 6a law and received the protocol, but we have not received any hardware that would allow us to test and evaluate the smartcards and the software that communicates with the smartcards.

"The problems we are now facing as a testing institute are the need to clarify the detail and intention of the Comma 6a law, and the fact that the Italian software development environment needs this detail and clarification in order to finalise their software for the new market and subsequently submit it to GLI Italia for certification."

Despite a somewhat immature regulatory market, Italy has come a long way in the last two years, but still has some way to go before things run smoothly. However, surely much can be said of most new gaming markets especially when control systems are put into place.

In June 2004, the AAMS selected 10 concessionaires to set up the remote network to manage legal slot machines. The concessionaire's activity involves the real-time connection of all machines and the collection and recording of all the information regarding wagers and winnings of each single slot machine. The companies selected were the main Comma 6 players in the Italian market and included Atlantic, Lottomatica, Franco group, Sisal and Cirsa Unidesa. The process of becoming a concessionaire is fairly complex and difficult and requires a thorough screening of the capability of the company, past experiences in similar activities and financial status. The company needs to establish large bank guarantees towards the administration and produce a number of contracts with operators who will connect to the particular network.

Once the concession is granted the company then had a certain amount of time to connect all the operators and then establish a connection with SOGEI (the AAMS information technology supplier) to transmit the data collected.

Roberto Cian of Zest Gaming (Sisal) said: "It looks like the Italian law will become a benchmark for regulated gaming in Europe. The administration converted a confused situation into a fully monitored market, which has produced huge revenues for the country and all this in a very short time. The monitoring networks control the largest number of machines worldwide and this is quite an achievement."

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Zest Gaming (Sisal)**



>> market five or six years ago, but then sold the business. About two years ago the group began to operate an online network, but recently sold this business to Codere which tallies with the group's decision to sell its shares in Codere some months ago.

Meanwhile, another concessionaire, Lottomatica, has approximately 9,500 AWP's linked to its network, which is divided up between 42 operators. The new updated Comma 6a protocol is a way of tightening up the communications environment via smartcard technology. The requirement is for the game software to work only if it is able to communicate with the smartcard and the communications network, and therefore introduce a higher level of security. Previously, reports of operators disconnecting their machines from the network enabled them to manipulate their incomes. The new protocol and technology means that the communication between the smartcard and the machine connection must be certified as a unit for the game to work. Given that the game software and the network communication are certified, and a site inspection process is implemented, the new decree will go a long way to ensuring greater security.

GLI Italia's Roger Farrell said: "The new Comma 6a decree will address a number of the issues in the existing environment. There is still a need to ensure that the

implementation of the protocol is correct via the certification process.

"This process must include the certification of the communication between the game and the smartcard, and between the game and the network. There is also a need to include an inspection process so that the Regulator can be sure that the installed environment is exactly the same as the certified one." Meanwhile, many manufacturers are still producing Comma 6 machines while also enabling these machines to be adapted to the new Comma 6a regulations once these are released.

The majority are also looking at video AWP's rather than reels as the preferred operator choice. Initially, Italy was a reel market, however, player preference has since switched and today it is thought the market is 85 per cent video and 15 per cent reels.

Of course, it is easier to manipulate videos than reels, hence the changes in the 6a law, which aim to increase security and address black market problems. Unidesa, which created its own Italian company, began by selling reels and has since changed to accommodate player preference and is now developing a range of video products.

Unidesa is currently still developing Comma 6 games and is offering the Cabinet RT designed for large gaming halls with four games available, Swamp Land, Swamp Land Plus, Top Secret and

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Cat 'n' Mouse.

Also the New Cabinet Capri, which is a brand new cabinet with 19 inch LCD monitor and five games available, Casino Fruit, Cat 'n' Mouse, Hollywood Horror, MotoGP 2006 and Millionaire, and the Cabinet Mini with 11ins. LCD for smaller bar areas.

Cirsa's Giacomo Bozzini said: "I think the old Comma 6 AWP will eventually die and the new Comma 6a will be much more interesting and closest to the players needs. And obviously a changing law situation may create a sort of standstill on sales due to the uncertain rules.

"But we at Cirsa firmly believe that the Italian market is very important indeed. In the past our sales have been huge due to the lack of products in Italy. Now the entire sector is suffering from a lack of information on the law and is suffering from a lack of fixed point. Our 150 engineers, in any case, are preparing themselves for the new big challenge of the Comma 6a machines."

Bally Wulff is another company working on a video AWP for Comma 6a, which comes with a sophisticated 3D animated video game.

As Tim Wittenbecher said: "Our sales were good when the new law, which is now the old law, was introduced two years ago. Our machines had good results, but after a while they were substituted in many areas by video machines as these machines had a

>> higher income. Video machines are the typical Italian style machines, so we will develop this kind of machine in future.

“We do not have any problems with the current law changes. Our main problem was the interpretation of the old law. It was very difficult for operators to follow the rules of the old law and many items were handled irrationally. The new law seems to be much more realistic and we expect a strong market by the end of the year and hope it will become a stable business by 2007, if operators follow the rules of the new law.”

Other manufacturers are instead waiting for the new regulations before they begin developing Comma 6a machines and continue with Comma 6 products. Astra Games, part of the Novomatic Group, for example, has developed Comma 6 reel-based products since the 2003 law was introduced and currently has three games approved and sold and a further two completing homologation. The company works with Italian partner AGM and more recently additional distributor, All Star Italiano, which is part owned by Novomatic.

Astra’s Neil Chinn said: “We are proud to be the only UK manufacturer selling good numbers of machines in Italy that have remained on site taking good income. “I suspect the market will change when the new law is introduced and it has to. The last three years has seen a multitude of cheap video products with cash boxes suffering. This, together with an online system that was not thought through before implementation, has resulted in a very unsettled market and the high tax situation has made it very difficult to obtain sales.

“Italy needs to get the legislation right with the new law. The technical standards need to be clear and concise with no grey areas, all illegal machines need to be removed and the online system should technically deal with all the previous issues.

“At first glance the revised law looks like a great improvement on the previous regulations and hopefully will ensure that Italy becomes a well controlled country and a good sales opportunity.”

Despite the delays and upheaval with the law, the majority of manufacturers are positive about the new Comma 6a machines, which they believe will only benefit the market.

Zest Gaming is part of the MagicMatic group in Italy (a large manufacturing company, which recently merged with Sisal Network, one of the network concessionaries) and is headed by Roberto Cian.

Zest is working on both Comma 6 and 6a products, whilst also enabling customers, who purchase a Comma 6 product now, a full upgrade once the new law is



introduced. Robert Cian said: “We actually welcome the changes that enable operators to have better products, thus making more profits. It was clear that the market was going to progress with new products and the key is to be prepared for these changes.

“Sales have been exceedingly good in Italy for Zest and we expect a significant increase due to the fact that many machines have to be replaced and we believe we have winning games.” Meanwhile, multi-players are also beginning to enter the Italian market, although many do not expect to begin to reap the benefits until the market stabilises in 2007.

For example, domestic company, Magic Dreams, is looking at new multi-player games once the Comma 6a law is released and is currently forming an

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Cirsia.**

alliance with Alfastreet in anticipation of the change.

Magic Dreams’ Gianfranco Scordato said: “Magic Dreams experienced the ‘boom’ market that at the time was represented by the introduction of the New Slots, the regulated AWP machines controlled by the State Monopoly and in compliance with the law. It has been an enormous success and it was only toward the end of last year that the market became stable. “No doubt about it, Comma 6a machines will boost the market again. The much larger offer represented by these latest ‘one step ahead’ machines to the end consumer means preparing the market to migrate from AWP to VLT and casino type gaming. Do we believe that? Absolutely yes. Magic Dreams has been busy for years in manufacturing and developing products to these dedicated business

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>> fields. For a long time Italy has been recognised to be one of the highest potential markets for gaming businesses and operations. This is especially true if we look at the nearby countries, which are successfully running casino businesses, relying mostly upon Italian customers. According to many, Italy will be the gaming market of the future and according to most, is the future that seems never to come.”

AMUSEMENT MARKET

Amusements continue to play second fiddle in a country eager to operate gaming machines. In 2005, video games, redemption and mechanical games saw an income of 774bn euros and generated 62bn euros in taxes with 215,000 installed games. A couple of years ago, amusements, with their annual tax rate, were an attractive product alongside the then Comma 6 products with high taxes. Today, however, there still remains some

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**Tiziano Tredese,
Elmac.**

confusion regarding the technical aspects of amusements and problems with lengthy homologation periods.

A new decree was issued in November regarding redemption (7a) and video games and simulators (7c), which brought in a new procedure of homologation along similar lines to that for an AWP (except the online connection). It also had tighter restrictions to prevent video poker games infiltrating the market under the guise of a video game.

However, there are still doubts as to the procedures regarding machines that already have a licence and the testing they may now be required to undertake. Elmac’s Tiziano Tredese said: “At this time I haven’t sold any of these games since January 1. And not only me, obviously, but everybody else! To produce and sell weapons and explosives is surely easier. We hope that finally the Monopole will have learnt how to homologate these

games and how to fix the RFDI on the PCB boards.”

Amusement companies all say Italy was one of the most important markets in the EU, even bigger than the UK for some products. However, the introduction of AWP machines has given operators the opportunity to obtain higher incomes than that achieved by operating amusements and so the market has shrunk dramatically.

It’s believed that the AAMS’ plan is to rid the market of illegal machines and then slowly re-build the market. It is only then that they will loosen their grip on the law and allow testing, which will help the amusement companies make a come-back with products.

The problem affecting many amusement companies now is the lengthy time of homologation and hefty costs involved. As Sega’s Paul Williams said: “A new law for video has meant that the distributor and manufacturer has to

>> get the video machine homologated by the Monopole in Rome at a cost of 3,000 euros. Once they get the machine homologated only then it is legal for them to sell it.

“The operator then needs to apply for another license called the Nulla Osta from the local government. This procedure is currently taking up to six months.

Although the law is in place, the government departments do not have the manpower to administer the system. This long process is deterring anyone from purchasing video games. Additionally, the new law does not have any system for homologating a kit and so it is illegal to sell a kit into Italy.

“We are speaking to the Monopole to try to get the system speeded up and allow for kits to be homologated. It is a long process and the Monopole seems more interested in collecting their taxes from the AWP market than helping the amusement market.”

Italy was once a fairly strong amusement market, with football and driving video games one of the top favourites. However, due to the huge investment operators have made replacing AWP machines, sales have since dropped and now remain at a virtual standstill.

As Mauro Zaccaria of Tecnoplay said: “To stop the growth of video poker machines, disguised as normal video games, it is now a lot more difficult to install a video game than a Comma 6 machine. The only sector unaffected by the crisis is pinball as the new rules did not include pinball machines, and therefore sales of pinball in Italy has increased.

“We hope that in the future, with the complete disappearance of illegal machines, the rules for games such as Virtua Tennis will become easier so the customer will be able to buy a game, take it to the arcade and install in the same day with no bureaucratic headache. Maybe the market will start to grow back, although we are also missing some good new ideas for video games.”

Up until two years ago Sega claimed Italy was their number one market and represented 40 per cent of the group’s sales. The majority of sales were kits and Naomi upright cabinets with sports games with a large percentage sold into the bar market. As Sega’s Paul Williams added: “Now the new legislation, rumours and constant changes in legislation has brought a lot of confusion in the market. This has effectively crippled the amusement market.

“Now we only sell video games to the arcade market and nothing to the bar market. In addition, many arcades are converting from amusement to AWP so it is really only the Italian seaside arcades that are left.

“Italy was one of the best amusement



markets in Europe and one of the best in the world. We never condoned the video poker business and support the Monopole in their actions to introduce a legal AWP market, however the Monopole do not understand our business and the restrictions that they have put in place and the slow pace of administration has killed a healthy business.”

Meanwhile, even touchscreen games are suffering at the hands of new

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Sega Europe.**

homologation procedures. Again, the process is complex and lengthy and even though touchscreens can now be updated online it seems there is some confusion on how to homologate this. Although sales for touchscreens in Italy were once strong, it seems these have dropped significantly since the beginning of the year, with losses of up to 80 per cent when touchscreens were not online. As Wolfgang Strambach of Norditalia

>> performing TAB Austria distributor at the 2006 distributor meeting, held during the ATEI show.

“But the new homologation process has affected sales of touchscreens a lot. The process itself is very complex and not very well organised. Paperwork is causing headaches and is very intense. The process itself should take just a few weeks, in reality it takes months and there is big confusion regarding homologation of online terminals. “Nobody in the government knows how they have to do the homologation of online terminals. And even if somebody gets the homologation of an offline terminal, the required RFDI is not available. All these changes and amendments of the law have caused a big confusion in the market. Without proper information the operators have refused to make bigger investments, not knowing what will come in the next weeks.”

LOTTO, VLTS AND SPORTS BETTING

The gaming and betting market in Italy grew strongly between 1995 and 1999, followed by a mature stage from 2000 to 2003. The market saw an all time high in 2004, although this is predominantly down to an excellent performance by the lotteries with almost 12bn euros for Lotto Game. However, the legalisation of AWP's did play a part with approximately 4bn euros, whilst the total volume collected exceeded 24bn euros compared to 15bn euros in 2003.

Gaming sector wagers from 1995 are shown below (Euro million)

Lottomatica is one of the largest lottery operators worldwide and also the market leader in the Italian gaming industry. Since 1993 the company has run the exclusive concession for the only online lottery in the world, the Italian ‘Lotto,’ and since 2004 has also had the concession for Instant and Traditional lotteries with 18.7 million tickets sold at the end of 2004.

It distributes its games and services through one of the most extensive real-time, online networks in Europe and has a network of 44,000 lottery terminals. With headquarters in Rome the company has revenues of 585.8m euros and over 1,000 employees and its parent owner is the De Agostini group, which holds 58 per cent of its share capital through FinEuroGames and Nuova Tirrena. Real-time online data transmission systems adopted by Lottomatica now offer games such as Lotto game and also instant and traditional lotteries (scratch and win), Sports pools (Totocalcio and Totogol and Tris), gaming machines and new Pari-mutuel bets on cars, motorcycle and cycle races.

The Ministry of Finance granted Lottomatica the concession to manage



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Udo Nickel, Cashpoint.

Lotto Game in 1993 until 2012. More than 80 per cent of Lottomatica's revenue comes from Lotto Game, which are based upon the commission received as a percentage of the wagers.

As an operator in the lottery market, Lottomatica was the world's top company in terms of wagers in 2004 with \$16,843m followed by LAE in Spain with \$12,312m, La Francaise des Jeux with \$11,666m, Mizuho Bank in Japan with \$10,124m and the UK National Lottery with \$9,120m.

As regards the Lotto Game only, Lottomatica has been the world's leading company since 1999 with wagers of \$15,944m followed by the UK National Lottery with \$7,626m, LAE with \$4,774m, La Francaise des Jeux with \$3,153m and Korea's Kookmin Bank with \$3,131m. In January this year, Lottomatica announced that in mid 2006 it would acquire GTECH for \$35 per outstanding

GTECH share. The deal has now created one of the world's leading gaming solution providers with global market presence and a significant portfolio of lottery technology and content solutions. Following completion of the transaction, GTECH will continue to operate as a separate business unit within a newly formed Lottomatica group structure. Lottomatica already runs sports betting games and began to collect bets on Totocalcio, Totogol and 9 in August 2003 via Consorzio Giochi Sportivi. Totocalcio is a game where players forecast the results of the 14 matches on the betting slips whilst Totogol enables players to forecast the number of goals scored in each of the 14 matches. Both of these sports games are distributed by Lottomatica, on a four plus one year contract which expires in 2008, together with Sisal and Snai through 5,500 outlets with a market share of approximately 26



Germany in terms of numbers with an estimated 15,000 terminals within 12 months. Cashpoint's Udo Nickel said: "Italy will be a great market, although my concern is that the government is getting too greedy in terms of tax."

"I expect approval this year, although not until long after the World Cup. We have received specifications. Some of them have to be changed as they are made by people who do not understand our business. Italy wants to handle the payment via a prepaid card, but because of the experience we have, people prefer cash. However, the Italian government was right when they decided to cancel the monopoly. The German government never reached that stage, but very soon they will learn that a controlled market is better than a monopoly."

"The German operators' concern was that sports betting would affect the cashbox of payout machines. The truth is that the income increases when they put betting terminals in their locations. Players who are putting money in betting terminals are playing payout machines as well." Additionally, with the recent ban in Italy on unauthorised online gambling sites, the government is now showing more of an interest in sports betting as it can be taxed online at source.

The ban came in the wake of the Italian budget with the AAMS blocking around 600 foreign online gaming websites in Italy. Italy is the first European nation to introduce such a ban and the list includes popular gambling sites such as the online casino and poker room, 888.com based in the Antigua.

Italian police are now preventing internet providers from allowing connections to the banned sites with fines of up to 180,000 euros for those who do not comply. Ironically, Bet & Win is now sponsoring Milan football club after setting up an Italian operation, which leaves some possible future interpretation to the law.

The law came into effect in February this year and is opposed by the Remote Gambling Association, which argues that it violates Europe Union rules on free trade. Online gambling sites in Italy have become increasingly popular and in the month of January 2006 alone earned an estimated 42.5m euros according to gambling news agency, Agipronews. Meanwhile, although VLTS have no specific law at present, many believe regulations will be introduced by August this year meaning with a release of machines by the beginning of next year. Roberto Cian of Zest said: "The new Comma 6a reflect a little bit more the trend that is in other AWP markets in Europe and it is certainly an evolution of the current products, which allow for better monitoring from the networks thus reducing the possibility of mistakes and

fraud. "VLTS is logically the next step, with these products the player can have a comprehensive offer of games and other forms of entertainment, including sport bets, which are all safe and properly managed."

Many feel that the Italian market should not move too fast and with the recent introduction of legalised gaming should be wary of new products, such as VLTS, in case they have a detrimental affect on what currently exists.

It is thought that there will be a law written into the budget allowing a certain number of VLTS into the market, which will be divided amongst a certain number of concessionaires.

How the concessions will be granted is another matter, although there are some rumours that the 'good boys' within the AWP field may possibly get the first shout or those with the highest AWP market share will be at the forefront.

Claes Nordahl runs Nordahl Consulting, an independent consultancy company which works for several gaming companies including EssNet Interactive. He said: "At the moment there are 170,000 gaming machines in the market. It is a very large market and so the development of VLTS cannot happen overnight. The Italians want to make sure their 'cash cow' does not die overnight. "The general consensus is that people think we will see the first machines by the end of the year. There will be some form of trial VLTS with maybe a first rollout of machines by March next year. We did hear that the Monopole was working on rules for August."

"The market is heading towards VLTS and in the long run there will be a strong interest for VLTS. Some players will be well positioned to leverage the possibilities VLTS present, such as better games and graphics, but also offering value-added services such as buying bus tickets or charging mobile phones."

EssNet Interactive supplies cabinet hardware and software solutions that are generic to all content supply media and recently launched their products at the Italian Enada exhibition.

They produce Interactive Video Terminals (IVT) which are available in a number of different styles and provide an open architecture system that can take any software, even from a PC environment, and allow it to be used within any of their cabinets.

CASINO GAMING

Italy is subdivided into 20 regions – Abruzzo, Aosta Valley, Abulia (Bari), Basilicata (Potenza), Calabria (Catanzaro), Campania (Naples), Emilia-Romagna (Bologna), Friuli-Venezia Giulia (Trieste), Latium (Rome), Liguria (Genova), Lombarda (Milan), Marche (Ancona), Molise

per cent. Meanwhile, Lottomatica also collects bets on Tris on behalf of licensee Sarabet since January 2000 through 5,000 outlets. Tris is a betting game, which was originally created in 1958, and is based on the Corsa Tris horse race. Players forecast the exact order in which the horses finish in the first three positions. The sports games market has showed a strong decline over the last few years despite the new regulations and efforts to re-launch the games. Lottomatica is now implementing a rationalisation process of the network to cut costs and improve business profits.

Meanwhile, with the AAMS due to hold a public tender for 15 licences for sport betting, this is one particular sector now in focus.

Cashpoint is currently talking to a gaming company in Italy to establish a sports betting company. It is thought that the market could exceed Austria and

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Claes Nordahl, Nordahl Consulting.

>> (Campobasso), Piedmont (Turin), Sardinia, Sicily, Trentino-South Tyrol, Tuscany, Umbria and Veneto (Venice). Only five of these regions – Aosta Valley, Friuli-Venezia Giulia, Sardinia, Sicily and Trentino-South Tyrol – have a special autonomous status that enables them to enact legislation on some of their specific local matters.

And although five casinos exist within some of these regions, the remaining regions are also eager to operate casinos, but as yet no legislation has gone through to permit them.

The new street gaming law could change this. For one it could either encourage the government to introduce further casinos or merely put a hold on those that exist and push them to re-think their machine mix in a bid to keep customers coming. Where at one time casinos offered clients the only real place to gamble, with the new Comma 6a law permitting payout machines, it is feared this could take some clients away from the casinos.

Cirsa's Giacomo Bozzini said:

"Unfortunately, I have to say that this new law will produce a negative affect on the casinos. Once players were used to saving money during the week in order to spend their Friday or Saturday evening in the casino.

"Now these players will have more choice and more possibility to play on the street with the possible consequence of having 'empty pockets' by the weekend."

Magic Dreams, meanwhile, sees a two-fold issue regarding the AWP and casino market. One is competition, the other is increased player awareness.

As Gianfranco Scordato said: "Is the bottle half full or half empty? I guess for any business, which in the past has faced limited or no competition, assisting at the parallel market becoming a fast moving and always close rival in terms of technology and gambling features, will not result on any easy good feeling.

"On the other side, the street market works in diffusion, creating interest and preparing a new range of possible customers that will know the difference of a unique 'full evening out,' as an overall entertainment experience that a casino may offer, compared to a limited gambling experience offered by playing a machine in the nearby street location.

"Step by step we are getting closer to the high-end of the gaming market and product development will rapidly match this and I guess even surpass the actual standard of casino gaming. So the Italian domestic gaming market will get closer to casinos and casinos will continue to refresh their games mix and overall interpretation of entertainment, appealing more to the younger and casual visitors.

"Magic Dreams is actually developing projects and business relationship with all the actual Italian casinos and during these



last few months it has been just great to witness how most of them are busy and motivated to strategically moving operations and completely refreshing their slot park and casino mix."

Although the casinos have not had street products to compete with in the past, due to their locations they have often had to compete in terms of visitor attendance. For example, the Casino San Remo, located not far from the French border, has to compete with business from Monte Carlo. It recently added an extension with the aim of appealing to tourists and day-trippers and offering more machines. Meanwhile, Campione d'Italia located in the Swiss enclave, was also hit by the opening of Swiss casinos and saw its attendance drop and is now moving to a new casino with the introduction of new gaming amenities and entertainment.

TCSJohnHuxley supplies all the Italian casinos with a range of products including tables, wheels, displays, chippers CCTV systems and shufflers. TCSJH's Marcus Honney said: "The casino market in Italy is international. The players' choice of games and slots are not unique with the exception of some of the card games they play in this market.

"The operators in Italy look for new developments and products for their operations and are keen to test new technology. As with France and Germany, trying to persuade the Gaming Unions to accept the new products is another story "It will be interesting to see how this situation develops as the casino industry in the surrounding countries is moving on quickly. For example, HIT's new co-

"Italy is a pioneer of IGT Premium products. Approximately 12 per cent of the Italian casino floors are Premium products. The rest of Europe has taken the Italian casinos as a benchmark and followed the Italian path. Monaco and Slovenia started with IGT Premium Plus products two years ago."

Ali Civile, IGT.

operation and planned project with Harrah's will no doubt have an impact on Casino Venezia, a situation they are well aware of.

"And with all the recent media interest in the resort type casino in the UK and Hungary it will be interesting to see how the Italian market develops if and when the new licenses are awarded."

IGT also supplies products to all the Italian casinos whilst Venice is currently undergoing an upgrade of their slot floor and renewing approximately 50 per cent of the machines and introducing the latest IGT Premium products.

The casino is the first to go live with the SuperSpin and is also the first casino to introduce Austin Powers and Party Time into Italy. Venice also houses 22 Fort Knox featuring Terminator CyberSpins. Meanwhile Casino Campione, which is moving to a new casino this month (August) will increase its slots mix and plans to increase the number of Premium Plus products and will also be the first in Italy to introduce the IGT MLP Jackpot Hunter plus several other products. Both Venice and Campione also have EZ Pay whilst a third casino has also signed for TITO.

IGT's Ali Civile said: "Italy is a pioneer of IGT Premium products. Approximately 12 per cent of the Italian casino floors are Premium products. The rest of Europe has taken the Italian casinos as a benchmark and followed the Italian path. Monaco and Slovenia started with IGT Premium Plus products two years ago."

Meanwhile Atronic also has products in all the Italian casinos ranging from >>

>> stand alone to progressives, Xtreme Mysteries and Hyperlinks.

Meanwhile Aristocrat supplies all five casinos and released a range of high games to Italy and Europe including Golden Canaries, Line King, Pelican Pete, Fire Dancer and Gold Gong.

Of the 500 slots at the Casino Venezia 90 of these are supplied by Aristocrat and Casino General Manager Franco Malvestio says they are proving successful brands with high returns.

Around 30 per cent of the Aristocrat machines are Hyperlinks, 20 per cent Xcite and 50 per cent MVPs. The Hyperlinks are grouped into two banks 12 Cash Express and 14 Golden Goals. The company first installed the Cash Express series in 2003 following by Golden Goals a year later.

Franco Malvestio said: "We are now evaluating the latest Aristocrat range with a view to adding to the gaming floors. Zorro is our favourite new Xcite game and Jackpot Deluxe could well become a third Hyperlink bank within the casino." And WMS currently sells its library of video casino products into Italy and has already sold to San Remo, La Vallee and Campione casinos and is currently talking to Venezia casinos.

The company began to sell into this market around four years ago after deciding to target the international market. WMS's new Bluebird platform is currently being installed in Italy. WMS's Mariano Mariño said: "All casinos, except San Remo, are going to a TITO system, which together with player tracking systems already installed and the kind of machines they have, proves that we are talking about a very mature market."

ITALIAN AMUSEMENT INDUSTRY FIGURES FOR 2005 ESTABLISHMENTS AND MACHINES

Manufacturers and distributors with a turnover of more than 2.5m	NUMBER OF
Manufacturers and distributors with a turnover of less than €2.5m	40
Operators	6,000
Indirect employees (manufacturers and distributors)	2,000
Indirect employees (shop owners)	210,000
All-year arcades	600
Seasonal arcades	550
Tobacco shops	1,500
Coffee shops	84,000
Clubs	10,000
Pubs	3,000
Bowling/Multiplex/FECs	390
Crane Machines (7a)	32,000
New Slot AWP's (comma 6)	172,000
Touchscreen/Simulators (7c)	140,000
Pinballs	4,000
Mechanical rides (football tables/kiddie rides)	30,000
Jukeboxes	3,400
Pool tables	10,000

Turnover for the export market . . . €0m
Turnover for the import market . . . €100m
Turnover for the internal market €3,550m

THE CASINO MARKET

CASINO: Casino Municipale di Campione d'Italia

WHERE: . . . Campione d'Italia, Lombardia

FOUNDED: 1933

EMAIL: . . . marketing@casinocampione.ch

WEB: www.casinocampione.it

LOCATION: Campione d'Italia is unique in that it is located in an Italian enclave in Swiss Territory. It is situated on the shores of Lake Lugano

OPEN: 3pm until 3.30am

SLOTS: Total of 388 slots and video poker games are located in the American Hall (320), Disco Slot hall (50) and in the Casino Lounge (18).

GAMING: Traditional Gaming Hall holds 14 French Roulette, 2 Fair Roulette, 3 Black Jack, 7 Chemin Fer, 1 Trente et Quarante, 2 Punto Banco and 1 Caribbean Stud Poker. American Hall holds 6 Fair Roulette, 3 Black Jack, 2 Punto Banco, 2 Caribbean Stud Poker. Disco Slot Hall holds 1 Royal Ascot Super Private Hall holds 3 Chemin de Fer, 1 Black Jack, 2 French Roulette and 1 Trente et Quarante

OTHER: One restaurant

VISITORS:

OWNER: Municipality of Campione

CASINO: . . . Casino Municipale di Sanremo

WHERE: San Remo, Liguria

FOUNDED: 1905

EMAIL: . . . area.stampa@casinosanremo.it

WEB: www.casinosanremo.it

LOCATION: This casino is 139km from the airport of Genova and 59km from the airport Nice Cote d'Azur.

OPEN: 10am - 2.30/4am (slots)

SLOTS: 440 slots

GAMING: 55 gaming tables including 19 Roulette, 2 Trente et Quarante, 11 Chemin de Fer, 1 Punto y Banco, 10 Fair Roulette, 8 Black Jack, 2 Poker, 2 mini Punto y Banco. These are all located in the Sala Comune, Sala Jo Ponti and Sala Prive.

OTHER: The building was originally designed as a casino and has remained unchanged over the years. Casino San Remo celebrated its 100th year last year and the building also contains two restaurants and a 400 seat theatre

VISITORS: 265,086 (2005)

TURNOVER: €7,006,229 (2005)

FUTURE: The casino is building a new elegant Sala Prive for VIP players. This will be inaugurated in July with a new slot machines hall in Liberty Hall and new restaurant

OWNER: Municipality of Sanremo

CASINO: Casino de la Vallee

WHERE: Saint Vincent, Valle d'Aosta

FOUNDED: 1947

EMAIL: . . . marketing@casinodelavallee.it

WEB: www.casinodelavallee.it



LOCATION: This casino is 90km from Turin in North West Italy and is located in the spa town of Saint Vincent which is near the French border and has been at the centre of the French gaming arena since 1980.

OPEN: 3pm-3.30am

SLOTS: 317 slots, 285 video poker and 8 Game Maker

GAMING: 90 gaming tables including 12 French Roulette, 16 English Roulette, 3 Trente Quarante, 4 Poker, 2 Caribbean Poker, 8 Chemin Fer, 24 American Roulette, 10 Black Jack, 4 Punto Banco.

OTHER: The first gambling house appeared in Saint Vincent in 1872 as an attraction for visitors to the spa. In 1921 the local mayor made a request to open a casino and the casino opened in 1947 with the idea of giving tourism and local economy a boost. In 1982 the casino was enlarged and new American games and slots were installed and the casino became a major players in Europe. The casino also includes a restaurant and a hotel with 240 rooms.

VISITORS: 800,000 (2005)

TURNOVER: 300bn lire (of which 64% came from gaming tables)

OWNER: Aosta Valley

CASINO: Casino Ca' Vendramin Calergi (Winter casino)

WHERE: Cannaregio, Venice

FOUNDED: 1959

EMAIL: marketing@casinovenetia.it

WEB: www.casinovenetia.it

LOCATION: Said to be one of the most beautiful gaming houses in the world, this casino is located on the Canal Grande in the first Venetian Renaissance building.

OPEN: 2.45pm-2.30am

SLOTS:

GAMING: French Roulette, Fair Roulette, Chemin de Fer, Trente Quarante, Black Jack, Caribbean Poker Sala dei Cuori D'Oro with Trente Quarante and Royal hall houses French Baccarat.

OTHER: This casino houses mainly French games

VISITORS:

OWNER: Municipality of Venice

CASINO: Casino Ca' Noghiera (Summer Casino)

WHERE: Via Paliaga, Venice

FOUNDED: 1999

EMAIL: marketing@casinovenetia.it

WEB: www.casinovenetia.it

LOCATION: In a 50,000 sq.m building on the Venice mainland near the airport.

OPEN: 11am - 2.30am

SLOTS:

GAMING: Fair Roulette, American Roulette, Black Jack, Caribbean Poker, Horse Racing

OTHER: Ca' Noghiera is the first American style casino in Italy

VISITORS:

OWNER: Municipality of Venice57